REGION 5 MONTHLY HIGHLIGHTS
JULY 1992

I. VOLUME

	MONTH	YTD	% CHANGE YTD
Marlboro	1884.1	13,803	.6
Full Margin	728.4	5,421	-.3
Price Value	509.5	3,172	.5
Famous Value Brands	363.5	1,843	35.8
TOTAL PM-USA	3122.0	22,395	.4

II. PM U.S.A. BRANDS

A. New Products

Merit Ultima
Distribution has leveled and sales remain slow. Accounts selling regular non-promoted product are experiencing a slow down in sales.

Marlboro Medium 100's
Retailers and distributors report that sales of 100's are initially slower than kings.

B. Full Margin

Marlboro BBQ Lighter Promotion
The display size is highly impractical for our Sales Force to manage and implement. There are many instances where Sales Reps had to customize a display for this promotion because retailers would not accept the BBQ Lighter display due to it size.

Marlboro Summer Special
Arco AM/PM (468 stores) has had excellent participation and sales have been very good. We continue to receive very strong interest among retailers with this promotion. Minimal resistance by retailers to their contribution to the price reduction.

Multi-Brand $3.00-Off Promotion
Enjoyed limited success. B&H responded more favorably than other brand families.

Marlboro 100's B3G3F
This promotion is proving to be an excellent opportunity to increase Marlboro 100's sales. Incentive packaging and attractive display graphics have contributed toward improving PM's visibility and trial. A future recommendation would be to reduce the size of the display and feature targeted brands.

Marlboro Medium B1G1F
This proved to be an excellent tool to improve customer awareness and trial. Very high acceptance rate of this promotion, with the displays selling out in 2-3 days.

Marlboro NSS Indian Accounts - Buy 3 Cartons Get 1 Free
This promotion is not moving as fast as initially anticipated due to the fact it requires a purchase of over $50.00. Movement improves during pay periods of 1st and 15th.

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Source: https://www.industrydocuments.ucsf.edu/docs/hyby0004

Marlboro 3-Pack w/T-Shirt and Caps - Hot August Nights - (Region Promotion)
Retailers are pleased to see increased activity from Philip Morris in this area in response to the Camel incentives that have been available lately. POS is being placed on behalf of this promotion giving the actual August event additional visibility.

C. Price Value

Cambridge 2F1
Very successful and sold quickly. Due to the display size, all packings could not be offered on a single display. The number of packings created some confusion at the distributors during assembly.

D. Famous Value Brands

Basic, AAV, and Private Label brands are gaining distribution as a result of Retail Masters. However, competitive buy-downs continue to keep us disadvantaged at retail.

III. COMPETITIVE ACTIVITY

A. R. J. Reynolds

It appears RJR is still having difficulty with the Retail Masters elements. They are attempting to document exceptions to the program.

Effective 8/3/92, Doral will drop their list price to $8.82/ctn. for Kings and $9.07/ctn. for 100's bringing it to the same price level as Magna, Sterling, and Bristol. This is due to the $6.00 and $7.00 coupons creating a financial burden on retailers. RJR has notified all direct accounts to inventory Doral stock on hand and will pay them the difference in price. No shipments are scheduled to direct accounts the week of 8/3. Beginning 8/10, Sales Reps will begin to buy down inventory at retail to reflect the reduced price and will VPR at $3.50 per carton.

RJR offered Costco a merchandising promotion which combines the old Winners Program and a new merchandising piece. They were offered $4.50 a case with an additional $400 to $1,000 a month per warehouse. This merchandising payment is a volume-based payment which requires the warehouse to carry shippers and promotions, and to merchandise according to Costco's share of market.

In the Seattle market, the local franchisee president of 7-Eleven sent a letter out against our Retail Masters Program. Some franchisees have responded by going with RJR's visibility program.

In the Seattle section, RJR has developed a new distributor program to sell displays to accounts not currently being contacted. $12.00 per display payment is given to distributors to be used at their discretion.

RJR has offered Sheehan Majestic in Montana unlimited quantity $1.50-off Best Value. This replaces the previous 50¢ VPR. Sheehan Majestic supplies all Albertsons in Montana. The list price to Albertsons would be $3.32 and Albertsons would be required to advertise.

In Arizona, $4.00-off cartons of Winston at Indian Outlets.

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B. **Brown & Williamson**

In the Los Angeles section, full margin activity having limited success using $3.00-off coupons and B1G1F on Kool. In isolated areas, offering Buy 1 Carton Get 1 Carton Free on Richland. This is a one time only effort to move excess inventory.

C. **American**

American Tobacco has canceled their rebate program on generic and sub-generic brands. As well, the Annual Achievement Award has been terminated. The American Challenge program is being implemented with the same guarantee as previous program thru December 31, 1992. This is a direct account incentive opportunity (information previously sent in Weekly Highlights).

They have offered to reduce the list price on all Black & White packings by $1.37 thereby eliminating the rebate in Montana. This would make the new list price $3.97. This move is intended to impact the Minimum Price Law in the state of Montana.

Riviera (8 packings), a sub-generic, is to be introduced in the next couple of months. No details as yet. A new Black & White, Private Stock (10 packings) being introduced in some areas (roll-out effect in selected areas of the region).

D. **Liggett & Myers**

In the Seattle market, L&M is going to a broker, Christy Damon. L&M presented Costco with two private label options, Tourney and/or Bronson. The price was higher than RJR, and the brands were refused.

Contest for retailers that purchase 350 cartons of L&M product makes them eligible to win a cruise.

$8.00-off carton coupons on any style has been seen in isolated accounts in Nevada.

E. **Lorillard**

They are very concerned about our impact with Retail Masters as they believe they will be adversely affected.

IV. CUSTOMER DEVELOPMENT

Costco Wholesale - We have received a verbal commitment from Costco they will sign to Retail Masters full participation.

Safeway, Bellevue, WA (178 stores) - Distribution of B&W GPC has been noted in several stores throughout the Seattle market.

Pay 'n Save (124 stores) - Offices will be closed 7/24 and Payless Northwest will take over 7/25.

United Grocers - Agreed to carry GPA Shields.

Fleming Wholesalers - Agreed to carry Basic.

Vons, Arcadia, CA (468 stores) - We continue to work out the details of the Retail Masters program. Vons' senior management agrees in principle with this program and indicated they would make a decision by the middle of the month. We anticipate them signing to Retail Masters.

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Lucky Stores, Buena Park, CA (213 stores) - Retail Masters still pending. As a result of management changes, we are re-presenting and informing key players.

Smart & Final Iris, Vernon, CA (110 stores) - Accepted all six packings of the Marlboro 5-pack.

Ralphs, Los Angeles, CA (159 stores) - Signed Retail Masters and M-3 contract as a full participant.

7-Eleven, Los Angeles (602 stores), San Diego, CA (213 stores) - Both accounts were presented Retail Masters. They responded very positively to this alternative. The national program featuring the CVC had virtually no interest.

Arco AM/PM, Cerritos, CA (468 stores) - A 3-tiered Marlboro display prototype was presented. Approved a fixture for all value brands to be placed behind the counter. The companies represented will be Philip Morris, ATC, and RJR. Our competitors will pay a monthly merchandising payment.

APSI Chevron, El Monte, CA - Recently purchased 20 stores increasing chain size to 72. Retail Masters has been signed for 37 locations.

Thrifty Oil, Downey, CA (240 stores) - We had previously walked away from on Retail Masters due to RJR up-front money ($1 million upon signing). Filed Chapter 11 on July 31st.

Southland Corp., Pleasanton, CA (515 stores) - Marlboro 5-pack carton has been accepted.

Safeway Corporate, Oakland, CA (865 stores) - Retail Masters still under negotiation. Main issue is the Price Value fixture requirement.

Coremark Corporate, S. San Francisco - Marlboro 5-pack and Benson & Hedges Kings have been accepted.

Lucky Stores, San Leandro, CA (180 stores) - Retail Masters being re-presented to new buyer on 8/20.

Modesto Tobacco & Candy - MTC sales reps are actively promoting American Tobacco's Black & White brand, "Private Stock". This represents a significant breakdown in the MTC and B&W alliance on GPC.

Smith's, Salt Lake City, UT - Accepted RJR's private label, Sebring.

Vega Wholesale, N. Las Vegas, NV - Accepted GPA and will be presenting it to the Pauites.

Smitty's, Phoenix, AZ - Accepted our offer to produce 2 fixtures for all stores to satisfy MPL2.

V. SECTION/REGION EVENTS

Section 51 golf tournament was held at Bear Creek Country Club. Fifty-four customers and legislators attended this event.

Section 53 attended WestPac's first Selling Show on July 23-24. We offered a Marlboro 100-carton package deal with a show deal of $20.00. The show helped us build relationships with customers as all top key mangers were present.

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Section 52 was a sponsor of the annual Cheyenne Frontier Days event. Attendance was approximately 400,000. We received good visibility and exposure for our sponsorship cost.

VII. MISCELLANEOUS

A smoking ordinance is presently before the San Diego City Council banning smoking in public places, restaurants, bars, and the workplace, as well as outlying cigarette vending machines within the county. Being presented by Americans for Non-Smokers Rights. David Laufer, Government Affairs, has been notified.

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